

COMMENTARY BY: Rep. Steve Israel

While American taxpayers have until April 15 to act on their taxes, Congress is facing a much earlier deadline. According to a recent letter from Treasury Secretary Henry Paulson, failure to address tax policy now could expose over 21 million unsuspecting taxpayers to the alternative minimum tax. And over 100,000 of my constituents are looking to Congress to fix this problem, so they aren't taxed at unfair levels.

That's why we passed legislation in the House yesterday that would provide immediate tax relief for millions of families who would otherwise pay higher taxes under the AMT this year. This is a good start, but we need to pass a permanent solution to what I call the "stealth bomb" of the U.S. tax code.

The AMT was originally enacted by Congress in 1969 to prevent several hundred ultra-wealthy citizens from making so many deductions that they were avoiding any and all tax liability. To address this, the tax code requires individuals to figure their traditional taxes first, taking all legal deductions, and then to calculate their alternative minimum tax. They must pay the larger of the two.

Most Long Islanders understand how the AMT works and why it's particularly problematic in our community. The AMT permits a fixed exemption of \$62,250 for couples and only a handful of regular deductions. The tax deductions for state and local income and property taxes that are so valuable to New Yorkers are null and void under the AMT. A flat 26 percent tax rate is then applied to the first \$175,000 of taxable income, with a rate of 28 percent on the remainder.

While the AMT was intended for the super wealthy, more and more middle class taxpayers are being hit with this stealth tax, particularly on Long Island where the salaries of cops, nurses and teachers qualify for the AMT. Because the AMT is not indexed for inflation like the regular tax code, it treats today's middle class like 1969's millionaires. While the regular tax code has accommodated cost-of-living increases and salary hikes over the years, the AMT has not.

Since taking control of Congress, a top priority of pro-growth Democrats like me has been finding a long-term solution to the AMT. While the Bush Administration has supported tax cuts that focus on the wealthy, adding to the deficit, the tax reform we're proposing for middle class Americans is not as simple. This is because Congressional efforts to reform the AMT approach tax policy in a way the president never has, by determining how the cut can be paid for or "offset" through the budget process.

The next step is to examine multiple long-term AMT relief proposals, ensuring predictability from year to year instead of relying on short-term fixes. I've convened a panel of tax experts, economists and AMT taxpayers to review permanent solutions to the AMT that are currently being proposed in Congress and to evaluate how they will affect Long Island families.

It's about time that we tackle the AMT issue head-on in Washington.

Then, taxpayers won't have to wonder whether or not they'll worry about the AMT.

Rep. Steve Israel represents New York's 2nd District in the U.S. House of Representatives.